

# “Socially responsible business in trade: further development in Ukraine and Russia”

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# SOCIALLY RESPONSIBLE BUSINESS IN TRADE: FURTHER DEVELOPMENT IN UKRAINE AND RUSSIA

## Abstract

A socially responsible business is of considerable interest to a wide range of subjects, since it provides significant benefits to all members of society. Such business solves the social problems of residents with their direct participation, that is, with maximum consideration of their interests and, therefore, it becomes widespread in the contemporary global practices. Therefore, the recommendations regarding further development of social responsibility of businesses in Ukraine and Russia, in particular, in the field of trade, are highly relevant, which has determined the chosen topic.

The purpose of this study is to assess the level of social responsibility of business enterprises in Ukraine and Russia and to formulate recommendations for its further development.

The research revealed insufficient level of development of social responsibility of business in the field of trade in two countries. The study of the programs of social responsibility in the most active companies in two countries on this issue showed that consumer support programs are the most widespread. However, according to the official research results, the populations of Ukraine and Russia expect more active support from the staff of these companies.

The work substantiated the expediency of creating a single state information resource of general use, which should accumulate the most important social projects in each country. It also proved the necessity to increase the participation of civic organizations in the implementation of joint social and trade activities, which requires the creation of the appropriate legal conditions.

Ultimately, trading companies are encouraged to increase the volumes of funding for the prioritized areas of socially responsible investments, that is, to intensify the development of social responsibility to support labor practices.

## Keywords

corporate social responsibility, social projects, trading enterprises, state regulation, non-profit non-governmental organizations, target programs, Ukraine, Russia

**JEL Classification** F10, M14, M21

## INTRODUCTION

In the modern world economy, a socially responsible business is of a mass character: such data are cited by Baksha and Danilyuk (2012, p. 15). Mynhardt, Makarenko, and Plastun (2017) go along with this statement and studied the efficiency of the stock market indices and social responsible stock market indices (SRI), according to their findings, SRI, in particular the Dow Jones Sustainability Index, has lower efficiency. The effect of this index on consumer sentiment index was deeply investigated by Sariannidis, Giannarakis, Partalidou, Evangelos, using the autoregressive conditional heteroskedasticity model and providing the comments for investors. But in the developing countries, which include Ukraine and Russia, social activity of commercial enterprises, including in the field of trade, is significantly lagging behind. From the large number of active traders in Ukraine

and in Russia, only 20% of companies carry out any social activity, while regular social work is done by less than 10% of them. In addition, socially-oriented businesses involve enterprises of only large sectors of trade, which are not represented in all regions, but only in those with a significant population. This explains the need to justify recommendations for revitalizing the social activities of enterprises of the specified countries confirming the relevance of the research topic.

If one tries to solve the problem in a complex way, the development of socially responsible businesses should be supported by all concerned users of social benefits, that is, the entrepreneurs themselves, as well as state economic regulators and public organizations.

The concept of socially responsible business has a significant history of its development. For the first time, its essence was highlighted by Bowen (1953). He also proposed its interpretation as an activity that meets the needs of society. Later, Davis (1960) identified corporate social responsibility as a company's understanding of the problems of society and its response to them beyond the limits of its ordinary responsibilities. Other researchers also offered their own interpretations of the term, as a result of which the contemporary list of concepts is very long. Some scholars call a social responsibility of business a corporate social responsibility, a socially-oriented business, a socially responsible business, which broadens the scope of works related to the identified issues.

It should be noted that very often in the economic literature social responsibility of business is considered as an activity aimed at providing various benefits to entrepreneurs, including in the field of trade. This point of view is found in many modern works, including Mayorova and Lapitskaya (2016). This position corresponds to the theory of "reasonable egoism", which is considered in detail in the works of Tulchinsky (2012, p.14). One of the first representatives of this view was Carroll (1979) who studied corporate social responsibility as an activity aimed at making profits in the context of its compliance with the expectations of society.

There is a large number of studies that contain information on various types of social activities that lead to higher sales and profits of entrepreneurs.

Analysis of corporate social investment and its relation to financial performance was provided by Kobo, Kgabo, Ngwakwe, and Collins (2017). As the result, no significant linkage was found between the SRI companies' social investment and return on equity, but there is positive connection between the social investment, share price and sales turnover.

For example, Giannarakis, Konteos, Zafeiriou, and Partalidou (2016) discovered that social support for top managers, particularly executive directors, can significantly improve the financial performance of commercial structures.

Other researchers Saleh, Ebeid, and Abdelhameed (2015) came to the conclusion that women's participation in the implementation of economic social projects has a significant impact on sales' activation.

At the same time, in contrast to the approach of "reasonable egoism", modern entrepreneurs in the sphere of trade most often are not involved in any social activities. That is, in practice, the dominant approach corresponds to the theory of "corporate selfishness", which was founded by Friedman (1970).

There is also another point of view, which is based on the desire of the entrepreneurs themselves to implement social projects, which corresponds to the theory of "corporate altruism". This theory was first introduced by the Committee for Economic Development. However, a similar view was expressed in science before.

In our opinion, a socially responsible business means a regular volunteer activity aimed at simultaneously achieving commercial goals of the business entity, improving the living conditions of the society and protecting the environment. According to its essence, the given concept corresponds to the one proposed by the European Parliament.

In the world practice, a socially responsible business is already seen as an integral part of managerial work and proves the need for a permanent audit of the corporate social responsibility. In particular, it is proposed in the work of Sukhonos and Makarenko (2017). We also adhere to this opinion. Our research is aimed at further developing the socially responsible business in the field of trade as a result of improved business management.

Our work supports the view that the documentation of corporate social responsibility plays a key role in the effectiveness of social activities. This conclusion is contained in the work of Velte (2017). Therefore, the existence of an official program of social responsibility of an enterprise is considered by us as a mandatory condition for a socially-oriented enterprise that carries out such work on a regular basis.

It is also important to note that corporate social responsibility of individual enterprises is accumulated into social efficiency of the country's trade sector as a whole and its individual regions as described by Ivanov, Mayorova, and Nikishin (2016). We are also convinced that the state should be involved in the work aimed at stimulating a socially responsible business.

The purpose of the study is to assess the level of social responsibility of trade enterprises in Ukraine and Russia and, on this basis, to make recommendations for its further development.

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## 1. CORE CONTENT AND THE MAIN RESULTS OF THE STUDY

In modern Ukraine, the notion of social responsibility of business is only emerging. The priority areas of social activities of organizations include the attraction of foreign grants for social development, participation in international programs and creation of multi-national structures.

A socially responsible activity in the sphere of trade in Ukraine is organized by the state within the system of measures, which include increasing the social burden of the branch; creation of a network of socially-oriented objects of trade; maintenance of constant prices for the goods of daily use; expansion of the practices of commodity interventions on the consumer market (Shubin, A.A., Sadekov, A.A., 2009).

Unfortunately, in Ukraine, there are no relevant laws and regulations concerning the activities of enterprises in socially responsible businesses, but certain steps in this direction are being made, in-

cluding the project "The concept of the state policy of development of socially responsible business". In Ukraine, support is provided for social projects within the framework of state targeted social development programs in accordance with the Law of Ukraine "On State Target Programs" as March 18, 2004 No 1621-IV (as December 2, 2012), which currently regulates the implementation of 16 programs.

In Russia, socially responsible business is also in the stage of formation. A legal platform has not yet been developed for its functioning. There is no system of various forms of state support, not enough information about the needs in social services. At the same time, certain forms of socially responsible business are supported by the state. The Ministry of Economic Development of the Russian Federation gives support for projects in the following areas: 1) social entrepreneurship; 2) socially-oriented non-profit organizations; 3) improvement of the mechanisms of public-private partnership. Russia has adopted the Federal Law of the Russian Federation "On public-private partnership, municipal-private partnership in the Russian Federation, and the introduction

of amendments to certain legislative acts of the Russian Federation” No 224-FZ as July 13, 2015, which guarantees participation of the state in joint socially significant projects together with private businesses. Also, the Ministry of Economic Development of the Russian Federation, together with the Agency for Strategic Initiatives, is implementing the program “Support for access of non-governmental organizations to the provision of social services” (“road map”) aimed at promoting access of entrepreneurs to social activities.

The participation of business is envisaged in 42 federal programs of social development, which were approved by the Decree of the Russian Federation Government “On approval of the state programs of the Russian Federation” No. 1950-r as November 11, 2010 (as November 2, 2015). Prioritized socially significant programs are also being developed in the regions and at the local level. The participation of business in these programs is based on the investment of the necessary funds into the projects as part of extra-budgetary financing stipulated by the program.

In addition to government agencies, Ukraine has public organizations that promote the development of corporate social responsibility, including the Corporate Social Responsibility Development

Center, which brings together 38 companies. The leading socially responsible organizations of Ukraine have an opportunity to be included in the “Rating of socially responsible companies”. In Ukraine, more attention is given to international ratings of social responsibility, for example, the well-known “Social Development Rating” prepared by the American company Social Progress Imperative and the audit firm Deloitte, according to which Ukrainian companies occupy the 62th position among 132 countries.

Public organizations are also active in Russia. They pay significant attention to the assessment of social work of enterprises. There are well-known ratings of socially responsible organizations compiled by non-profit associations of entrepreneurs, including “RSPP” (Russian Union of Industrialists and Entrepreneurs), “Socially Responsible Business – 250 Best Companies of Russia” (Chamber of Commerce and Industry of the Russian Federation) and others.

According to the data of 2014, in Ukraine, trade has the biggest share in the gross added value of all sectors of the country’s economy, which is 14.7% (Sotsialno-ekonomichniy rozvytok Ukrainy v 2015 rotsi, 2015). In Russia, this indicator is also prevalent: about 17.3% according to the data of 2014 (Rossiyskiy

**Table 1.** Social activity of some trade organizations in Russia

Source: compiled by the authors according to the companies’ websites.

| Companies                      | Regular social activity                                                                                                  | Data sources                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. X5 Retail Group N.V.        | Development of employees, labor protection<br>Food aid<br>Support for seriously ill children<br>Environmental protection | <a href="https://www.x5.ru/ru/Pages/Sustainability/OurEmployees.aspx">https://www.x5.ru/ru/Pages/Sustainability/OurEmployees.aspx</a><br><a href="https://www.x5.ru/ru/Pages/Sustainability/HealthAndSafety.aspx">https://www.x5.ru/ru/Pages/Sustainability/HealthAndSafety.aspx</a><br><a href="https://www.x5.ru/ru/Pages/Sustainability/Community.aspx">https://www.x5.ru/ru/Pages/Sustainability/Community.aspx</a><br><a href="https://www.x5.ru/ru/Pages/Sustainability/Environment.aspx">https://www.x5.ru/ru/Pages/Sustainability/Environment.aspx</a> |
| 2. PJSC “Detsky Mir”           | Helping children in difficult life situations                                                                            | <a href="http://corp.detmir.ru/about/charity">http://corp.detmir.ru/about/charity</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 3. LLC “Azbuka Vkusa”          | Assistance to sick children<br>Environmental protection                                                                  | <a href="https://av.ru/about/social/">https://av.ru/about/social/</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 4. PJSC “Dixi Group”           | Assistance to big families<br>Food support<br>Environmental protection                                                   | <a href="https://dixy.ru/social-projects/">https://dixy.ru/social-projects/</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 5. PJSC “Company” M.Video”     | Environmental protection<br>Assistance to sick children                                                                  | <a href="http://www.mvideo.ru/eco">http://www.mvideo.ru/eco</a><br><a href="http://www.mvideo.ru/fund">http://www.mvideo.ru/fund</a>                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 6. Eldorado Ltd                | Three-level system of social responsibility: consumers, employees, society                                               | <a href="https://www.eldorado.ru/company/social.php">https://www.eldorado.ru/company/social.php</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 7. Groupe Auchan SA            | Help to children<br>Promotion of sport development<br>Support for the development of education in trade                  | <a href="https://auchan-supply.ru/about/russia/">https://auchan-supply.ru/about/russia/</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 8. Media – Saturn Holding GmbH | Missing                                                                                                                  | <a href="https://www.mediamarkt.ru/company/mm_rus">https://www.mediamarkt.ru/company/mm_rus</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

statisticheskii ezhegodnik, 2015). Considering the volume of the involved revenues, trade is capable of accepting additional social commitments to support the development of society, in which it plans to carry on its further activities.

The study of social activity of the existing trading enterprises in Ukraine and Russia has made it possible to assess its development.

Table 1 summarizes the results of generalization of social activities that are regularly and randomly implemented by the most socially active trading enterprises of Russia, which are large retail networks. In determining the composition of the investigated trading enterprises only those of them were considered, which participated in the all-Russian contest "The Best Social Projects", which was held for companies in all sectors of the economy.

The majority of the investigated trade organizations of Russia, which are the most socially active participants of the Russian business representing big network organizations, carry out social activities on an ongoing basis.

In Ukraine, big trade networks also conduct an active social work (Table 2).

According to the data presented in Table 2, big Ukrainian trade networks, which were selected for the study, conduct corporate social activities on an ongoing basis.

In the world practice, the issue of socially responsible business is given a lot of attention. In 2010, the International Standard ISO 26000: 2010 "Social Responsibility Manual" was adopted, which was developed for voluntary use by organizations. Experts from Ukraine and Russia worked on this document. The standard defines the main problem areas that should become the focus of a socially responsible business. It outlines seven problem areas, which include: 1) organizational management, 2) human rights, 3) labor practices, 4) environment, 5) conscientious business practices, 6) consumer issues, 7) participation in community life.

The study of the social work, which is carried out by trading companies in Ukraine and Russia according to Tables 1 and 2 along with the areas of social responsibility in accordance with the international standard ISO 26000: 2010 made it possible to assess the level of development of the regular social activities of trade enterprises in the studied countries (Table 3). Table 3 shows the results of the

**Table 2.** Social activity of some trade organizations in Ukraine

Source: compiled by the authors according to the companies' websites.

| Companies                                       | Regular social activity                                                                                                                                                                               | Data sources                                                                                                                                                                                     |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. LLC Auchan Ukraine Hypermarket               | Assistance to sick children, fight against diseases<br>Professional development of employees<br>Environmental protection                                                                              | <a href="https://auchan.ua/ua/responsibility/">https://auchan.ua/ua/responsibility/</a><br><a href="https://www.youtube.com/watch?v=d_hMf_jcAGw">https://www.youtube.com/watch?v=d_hMf_jcAGw</a> |
| 2. TM "Bazhayemo zdorovya"                      | Assistance to sick children                                                                                                                                                                           | <a href="https://www.apteka.net.ua/blagotvoritelnost">https://www.apteka.net.ua/blagotvoritelnost</a>                                                                                            |
| 3. Volwest Group, network "Nash Kray"           | Popularization of a healthy lifestyle<br>Environmental protection<br>Development of the regions                                                                                                       | <a href="http://nashkraj.ua/ksv">http://nashkraj.ua/ksv</a>                                                                                                                                      |
| 4. METRO Cash & Carry Ukraine Ltd               | Social assistance to low-income citizens<br>Assistance to the people who became hostages during the armed confrontation in the East of Ukraine<br>Ethical business conduct, transparency of reporting | <a href="https://www.metro.ua/about-metro/csr">https://www.metro.ua/about-metro/csr</a>                                                                                                          |
| 5. LLC "Ukrainian Retail", network "Brusnichka" | Participation in charitable events of the UN World Food Program<br>Assistance to the people who became hostages during the armed confrontation in the East of Ukraine                                 | <a href="https://brusnichka.com.ua/kompaniya/blagotvoritelnost/produktovye-vauchery.php">https://brusnichka.com.ua/kompaniya/blagotvoritelnost/produktovye-vauchery.php</a>                      |
| 6. LLC "Rush", network "EVA"                    | Assistance to sick children<br>Providing funding for re-equipment of hospitals                                                                                                                        | <a href="https://charity.mozayka.com.ua/">https://charity.mozayka.com.ua/</a>                                                                                                                    |
| 7. TM "Foxtrot. Home Appliances"                | Professional development of personnel<br>Environmental protection<br>Child protection<br>Assistance to the people who became hostages during the armed confrontation in the East of Ukraine           | <a href="http://www.foxtrot.com.ua/ru/article/682">http://www.foxtrot.com.ua/ru/article/682</a>                                                                                                  |



**Table 3.** The level of development of regular social activities by Ukrainian and Russian trade companies

Source: compiled by the authors according to Tables 1 and 2.

| Sphere of social responsibility     | Companies that carry out activities in the specified sphere                                                                                                                                                                         |                                                                                                                                         | Development level, % |        |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------|
|                                     | Ukraine                                                                                                                                                                                                                             | Russia                                                                                                                                  | Ukraine              | Russia |
| 1. Organizational management        | –                                                                                                                                                                                                                                   | –                                                                                                                                       | 0.0                  | 0.0    |
| 2. Human rights                     | –                                                                                                                                                                                                                                   | –                                                                                                                                       | 0.0                  | 0.0    |
| 3. Labor practices                  | LLC Auchan Ukraine Hypermarket, Volwest Group, network “Nash Kray”, TM “Foxtrot. Home Appliances”                                                                                                                                   | X5 Retail Group N.V., Eldorado Ltd                                                                                                      | 42.9                 | 28.6   |
| 4. Environment                      | Volwest Group, network “Nash Kray”, TM “Foxtrot. Home Appliances”                                                                                                                                                                   | X5 Retail Group N.V., LLC “Azбука Vkusa”, PJSC “Dixi Group”, PJSC “Company” M.Video”                                                    | 28.6                 | 71.4   |
| 5. Conscientious business practices | METRO Cash & Carry Ukraine Ltd                                                                                                                                                                                                      | –                                                                                                                                       | 14.3                 | 0.0    |
| 6. Consumer issues                  | Auchan Ukraine Hypermarket LLC, Volwest Group, network “Nash Kray”, METRO Cash & Carry Ukraine Ltd, LLC “Ukrainian Retail”, network “Brusnichka”, LLC “Rush”, network “EVA”, TM “Foxtrot. Home Appliances”, TM “Bazhayemo zdorovya” | X5 Retail Group N.V., PJSC “Detsky Mir”, LLC “Azбука Vkusa”, PJSC “Dixi Group”, PJSC “Company” M.Video”, Groupe Auchan SA, Eldorado Ltd | 100.0                | 100.0  |
| 7. Participation in community life  | LLC Auchan Ukraine Hypermarket, Volwest Group, network “Nash Kray”, LLC “Rush”, network “EVA”                                                                                                                                       | X5 Retail Group N.V., Eldorado Ltd, Groupe Auchan SA                                                                                    | 42.9                 | 42.9   |

study of social activities of Ukrainian and Russian trade companies (7 companies from each country), which carry out a regular social work and have their own websites with pages devoted to social responsibility.

In determining the level of development of regular social activities in a specific area, we calculated the percentage of enterprises that declare the activities as part of their social responsibility programs.

Regarding the data in Table 3, it should be noted that in the studied companies of Ukraine and Russia, the social responsibility of businesses manifests itself, first of all, in solving consumer problems. However, much less attention is paid to the support of labor practices, community development and conscientious business practices. A social responsibility in the spheres of organizational management and human rights is of no interest to the companies.

The differences in the development of social responsibility in the investigated companies of the two countries consist in more significant efforts by the Russian companies aimed at protecting the environment, which can be explained by the fact that this problem is very acute there. In Ukraine, labor practices have become more significant, which is

explained by the greater relevance of this sphere for commercial business in this country.

The study of motives for realization of social projects by entrepreneurs shows their priority from the point of view of entrepreneurs as a percentage of all respondents (Luchshie sotsialnye proekty, p.54): 40% – social significance of the project; 20% – honesty and competence of organizers, positive experience of co-operation; 15% – transparency in the use of funds; 10% – guarantees of the authorities; positive feedback in the media; obtaining of tax privileges; 5% – share participation of others in the project. According to the all-Russian center for the study of effective social technologies, 70% of the polled organizations allocate money for social projects (Baksha & Danilyuk, 2012, p. 151) confirming their readiness to participate in such activities. As we see, the most important motive for socially oriented business from the point of view of entrepreneurs is its social significance.

At the same time, the society expects from businesses the creation of jobs (65% of respondents), provision of additional social packages to employees (30% of respondents), participation in the construction of urban social facilities and provision of urban amenities (20% of respondents) (Baksha & Danilyuk, 2012, p. 151). That is, for the population the most important is the sphere of social responsi-

bility for the support of labor practices. Also important is the sphere of social responsibility and participation in the life and development of communities.

As we see, the society needs investments into the internal corporate social development programs, while this area remains underdeveloped. The financing of communities' development is a very popular area, although the investment of funds into such programs does not meet the expectations of society.

Therefore, according to the results of the analysis, it can be argued that trading companies in the studied countries, which are at the forefront of social responsibility, are focused on social activities that do not coincide with the expectations of the population.

For commercial companies, it is expedient to extend their social initiatives paying more attention to the development of programs supporting their employees.

Considering the fact that the state is responsible for supporting business development, it is reasonable to expect from it a transparent and sound program of socially important areas for investing resources. Only under such conditions, one can expect increased investments in socially important programs at the initiative of and with the funds coming from private businesses.

Public organizations should also support the development of the most significant social projects. They already perform some of the necessary functions: organize the ratings of socially-oriented enterprises, implement the standards of social reporting, develop and submit draft laws and regulations of social orientation to the legislative bodies for consideration. But this is not sufficient: it is necessary to create opportunities for the participation of all interested public organizations in the preparation and implementation of social initiatives.

## CONCLUSION

According to the results of the study, the following conclusions were made.

1. The paper determines that programs for the development of corporate social responsibility of enterprises in the field of labor practices are the most important area for investments considering the interests of the countries' population. As a result, it is proposed to increase the volumes of funding of this area by redistributing the available resources of companies and increasing the volumes of investments.

In practice, companies do not pay sufficient attention to this field of social activity, which is confirmed by the study's results.

2. It is important to form a state information resource on the most important social projects in the country, which will increase the level of awareness and, as a result, raise the volume of investments and lead to the growth of the share of socially responsible enterprises.
3. It is necessary to attract a wide range of public organizations to the preparation, implementation and evaluation of significant social projects creating the necessary legal conditions.

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